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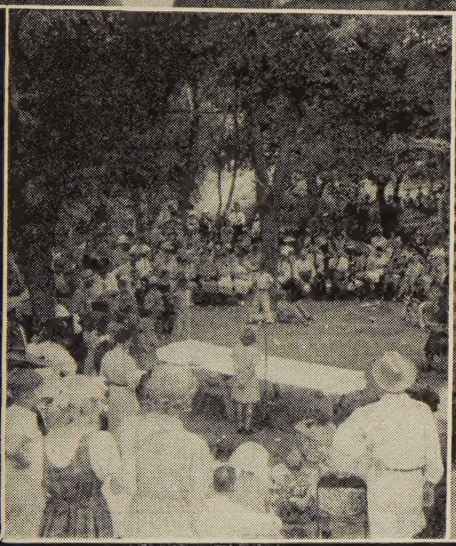
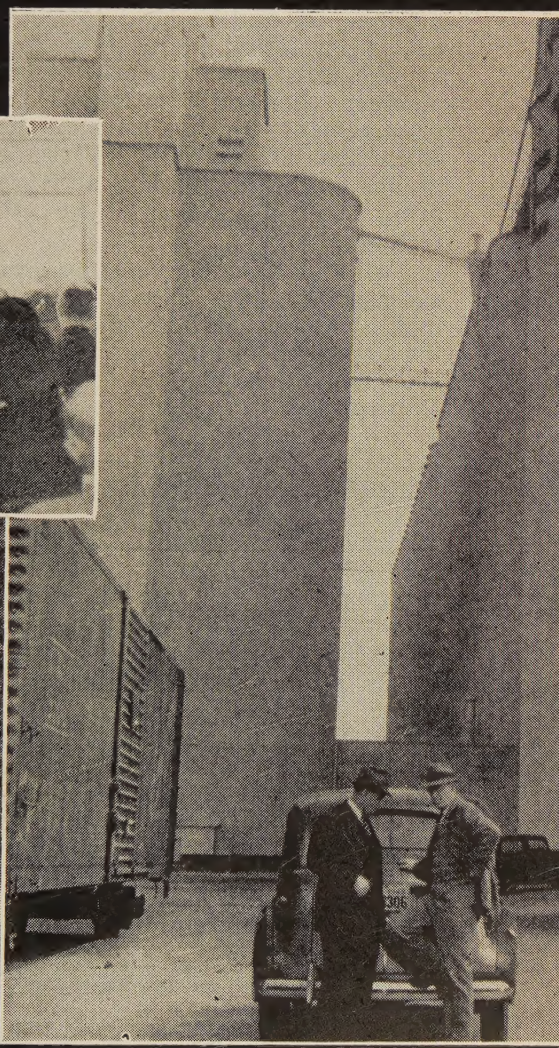




OKLAHOMA AGRICULTURAL EXPERIMENT STATION

Circular C-122 April, 1946

Membership Relations in Farmers' Cooperatives

By ADLOWE L. LARSON

Membership relations are as important as sound financial management to the success of a farmers' cooperative. Such a cooperative is composed of farmer members who form their own organization to provide services for themselves. In Oklahoma each member has one vote in his organization, which means that democratic control is exercised if the member takes advantage of the ballot. If the member is to cast his ballot intelligently and be loyal to the organization, it is necessary that information relating to the cooperative be supplied to membership.[1] If management carries out the wishes of the member, then information on their wishes must reach the management. In the ideal case there would be a free exchange of information between the two groups. Knowledge by both groups of the desires and activities of the other will tend to bring about a more effective use of the cooperative by its members.

The need for membership relations work is generally recognized. In some cases it may happen that a cooperative making a success financially may neglect its members by failing to give them information about their own business. Many cooperatives which have failed have been guilty of membership neglect. In other cases the management may not want to give information, believing that the information will reach their competitors and consequently cause them damage. That the information might injure them competitively by aiding their competitors apparently is not a great possibility. A survey several years ago of 61 cooperative fieldmen showed 45 fieldmen favoring giving to members all the information they might ask for concerning the association.[2] Only five of the 16 objecting did so on the grounds that the information might reach competitors.

In most cases the membership job is not purposely neglected. Rather, the pressure of other duties prevents giving attention to the problem. Lack of knowledge of the cooperative by its members encourages suspicion and prevents the cooperative from operating as effectively as it might. Although the extent of any membership relations program will be limited by its cost, no program at all might be more costly than a program of moderate size.

[1] It is also necessary that information be interchanged between the cooperative and the public.

[2] J. W. Jones, *Membership Relations of Cooperative Associations*, Farm Credit Administration, Cooperative Division, Washington, D. C., Bulletin No. 9, October 1936, pp. 71-72.

Oklahoma Agricultural Experiment Station, Oklahoma A. and M. College Stillwater. W. L. Blizzard, Director; Louis E. Hawkins, Vice Director.

TYPES OF INFORMATION. The information may be separated into the two groups previously mentioned:

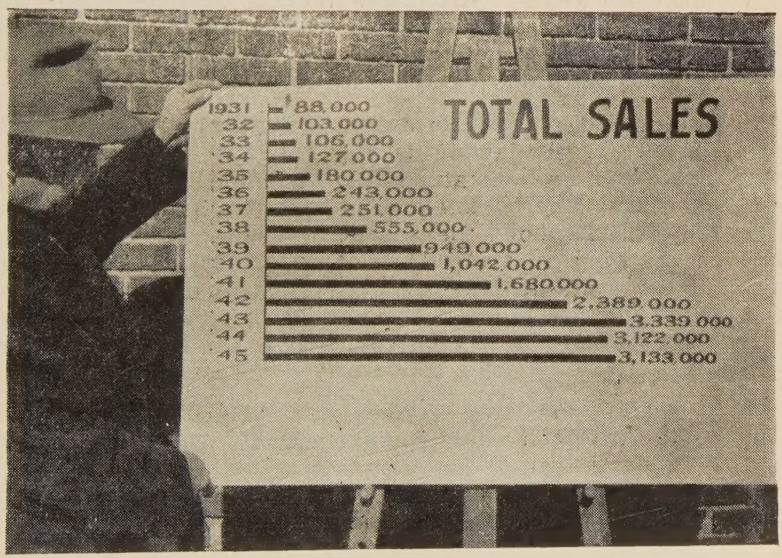
I. Information to members from the cooperative.

II. Information to the cooperative from the members.

The *first* type of information is the one usually considered in membership relations. As the member is a part-owner of the organization, he is interested in detailed information on operation, just as are alert owners of most businesses. The questions which he asks in his own mind might be listed in the following manner:

1. *Volume.* How much business did we do this past year? How does it compare with other years? What are the causes of any changes?

2. *Margins.* How large are the margins on the products handled? How do they compare with (a) those of previous years, (b) those charged by competing firms, and (c) those charged by other cooperatives?



At meetings of all members of a large cooperative group, information on business operations is printed on large cards so that all in the audience may see it.

3. *Costs.* How much does it cost to market our products? Are costs being reduced? How do they compare with margins? Which are the largest items making up costs? Are the costs relatively flexible or fixed? What are the possibilities for future cost reduction?

4. *Earnings.* How large are the earnings compared with earlier years? How do they compare with changes in volume? What share of the margins goes to earnings? How do the earnings per unit handled compare with those of similar cooperatives? What shares of the earnings go to (a) stock dividends, (b) cash patronage dividends, (c) deferred patronage dividends, (d) stock purchases, (e) allocated reserve, (f) general reserve, (g) revolving fund, and (h) other uses? How have the cumulative totals of these items been changing?

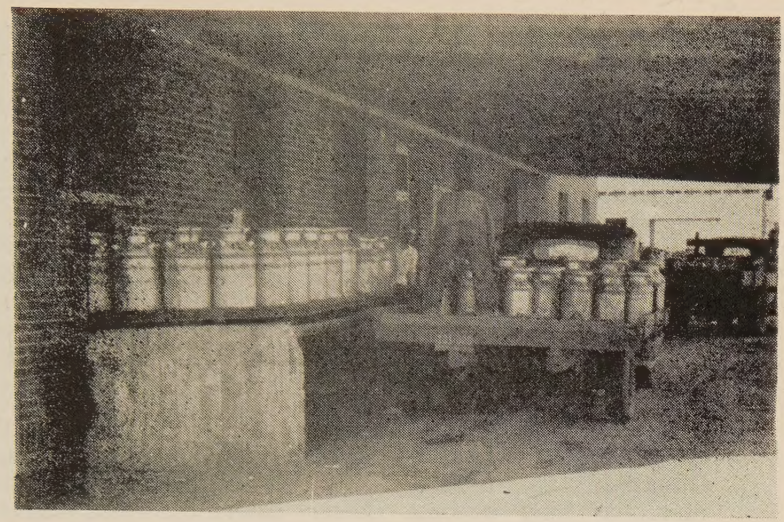
5. *Balance sheet.* How large are assets, liabilities, and net worth? How do they compare with earlier years?

6. *Plans.* What plans does the organization have for the future? Is new construction contemplated? Will more products be handled?

7. *Outlook.* What are the possibilities of this cooperative in future years? Are prices likely to decrease? Are the prospects for an increasing or decreasing demand for the products handled? How will government programs affect operations?

The *second* type of information is that which the organization needs to know about its members. In most cases this type of information is obtained only incidentally. This is true not only of cooperatives but also of other businesses which do little to find out about the wishes of their customers. This field of checking on the wishes of consumers has expanded greatly within the last decade. Its effective use by cooperatives would make possible better service by the cooperative to its members. Answers to such questions as the following would help determine action by a cooperative:

1. *Services.* Are the services now being provided adequate? Which would you like added? How much would you be willing to pay for this added service? Should the organization operate on a cash basis? Should products be trucked to and from the country?



At the last annual meeting of this cooperative creamery, approximately 1,500 persons attended. Information on operations was presented to members. Lunch was served to all attending.

2. *Products.* Should other products be handled? Should some now handled be dropped?

3. *Financial record.* Are you satisfied with the earnings of the cooperative? What improvements would you suggest? Should earnings be handled as they are now?

4. *Policies.* Do you favor each of the policies (listed) now followed by your cooperative? Do you think that storage capacity should be greatly increased at present? What changes would you like to see brought about in the association?

Information Methods. A wide variety of methods is available for presenting information to members[3] and for obtaining data on their attitudes. The program used varies with the size and type of organization. Small associations could not afford a costly program. Some information methods are suggested below:

[3] The bulletin by Jones, previously cited, is an excellent source on membership relations.

A. *Direct Personal Contact.* These methods are valuable both for presenting and obtaining information.

1. *Meetings.* The annual meeting of the cooperative is the most common means of information exchange. It must be well planned.[4] Here is information concerning the cooperative presented to the members in the form of reports from the management. In addition, management is directed by the ballots in the selection of directors and may obtain views from the floor on matters of policy. Other meetings such as summer picnics, neighborhood schoolhouse meetings, and special meetings of the entire membership may give a better mutual understanding.

2. *Employees.* Employees may greatly aid membership understanding. If they are informed about the affairs of the association and are encouraged to explain them, the members may become better informed. Conversely, ideas of members may be transmitted to the association. The success of this method is dependent on the extent that the employees meet the members. Fieldmen can be of great aid in this respect. Any employees contacting members, however, can be of some help.

3. *Board of Directors.* Members of the board of directors, as the chosen representatives of the membership, have an opportunity to keep members of the cooperative informed, and a duty to keep the management informed of what the members want. In large organizations the successful performance of this job may be with other aids.

4. *Advisory Group.* Sometimes advisory groups or councils can aid in the two-way transmission of information. They are usually selected to cover the entire area served by a cooperative. They may be called in for advice and for aid in explaining cooperative policies to the membership.

5. *Interviews and Questionnaires.* Of aid in determining the wishes of members are personal interviews and questionnaires. The questionnaire may be used as part of the interview. The object is to determine members' wishes by contacting members personally or by mail.

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[4] For a discussion on planning for the annual meeting see French M. Hyre, ***Making the Most of Your Co-op Annual Meeting,*** Farm Credit Administration, Cooperative Research and Service Division, Washington, D. C., Miscellaneous Report No. 92, November 1945.

This group of farm youths was photographed while attending a cooperative short course at Lake Carl Blackwell.

B. *Printed Information.* Printed information may be supplied members to inform them about association affairs or about related problems.

1. *Reports.* Audits are frequently printed and supplied to members. Emphasis should be placed on making them understandable to the average member. Relatively few members will likely be familiar with accounting terminology.

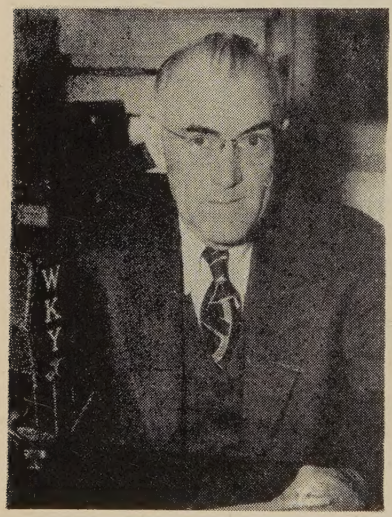
2. *Miscellaneous Pamphlets.* Miscellaneous pamphlets relating to problems concerning the cooperative may be supplied, such as annual outlook, production advice, and analysis of income tax questions.

3. *Newsletters and House Organs.* Printed or duplicated information is an effective means of getting information to members.[5] Its success is largely dependent upon the effort and skill put into editing. A house organ should be more than a series of clippings from other sources. It should attempt primarily to inform members on the affairs of their association.

[5] Several Oklahoma cooperatives use these forms of printed information.

4. *News Stories.* As stories about cooperatives and their members are of interest to readers in most areas, attempts to keep newspapers informed will likely prove profitable. Advertising space is frequently used to inform members and the public.

C. *Radio.* The radio is being used by some cooperatives, particularly the larger organizations covering a wide area. The use of news and market broadcasts has much to recommend it. A recent survey by the Federal Communication Commission shows that 81 percent of farm people having radios listened to programs giving market reports, and talks on farming.* Market reports are second only to news broadcasts. Two of the larger cooperatives in Oklahoma are using daily broadcasts.



Market reports and agricultural news are presented daily during the noon-hour by a livestock marketing cooperative.

D. *Contests and Scholarships.* Contests with awards given may be used to stimulate cooperative thinking. They may be of various types such as essay contests or quiz contests. Scholarships have been given by many organizations which permit young men to attend cooperative short courses. One organization in Oklahoma has given college scholarships.

The lists of types of information and of the information methods might be extended even further. Costs will certainly limit the extent of any membership program. Whatever the means used, the object should be to enable the cooperative to operate more effectively as a result of the exchange of information between the cooperative and its members.

* Cited in "Farmers Prefer Broadcasts," *Marketing Activities*, January 1946, U. S. D. A., P. M. A., Washington, D. C., pp. 19-20.

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